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April 23, 2018

The Honorable Alex Azar
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

The Honorable Alexander Acosta
Secretary
U.S. Department of Labor
200 Independence Avenue NW
Washington, DC 20210

The Honorable Steven Mnuchin
Secretary
U.S. Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Azar, Secretary Acosta, and Secretary Mnuchin:

I am writing to express my concerns regarding the proposed rule published by your agencies on February 21, 2018, extending the allowable duration of short-term, limited-duration (STLD) insurance from three months to up to twelve months. Allowing sale of extended duration STLD insurance plans will have a destabilizing effect on the individual insurance marketplace and provide substandard coverage to consumers that does not include basic healthcare services, like mental health treatment, maternity care, and substance abuse services. Due to state regulations in place in New York, the impact in my state will be less severe than in others. Nevertheless, I am deeply troubled by the effect this rule will have on Americans who rely on quality healthcare coverage for their own wellbeing and that of their families. I would urge the Departments to withdraw this proposed rule and focus on policies that would reduce health insurance costs, increase the number of insured Americans, and ensure consumer protections and guarantees to coverage for critical services and treatments.

STLD insurance plans are estimated to cost 20% less than the most inexpensive plans that are compliant with the Affordable Care Act (ACA), making them attractive to healthier and younger customers and likely driving this population out of the ACA individual marketplace. These plans are exempt from complying with ACA health insurance mandates. For instance, they can enforce lifetime or annual limits and charge people with pre-existing conditions higher rates. These practices are no longer permitted under ACA-compliant plans, but this rule will again leave Americans more vulnerable to financial hardship should they become ill. Customers who purchase STLD plans may be shocked and unprepared to pay for medical expenses they thought would be included in any product sold as "health insurance," such as prescription drug coverage, specialist visits, or chronic disease treatment.

While STLD policyholders will be subject to significant out-of-pocket costs and customers in the ACA-compliant individual insurance market experience premium increases estimated to be up to 18.3%, insurance companies will reap large profits selling these plans which provide minimal coverage. Insurance companies selling STLD plans are not required to comply with the federal regulation that mandates insurers to spend at least 80% of premiums on health care services. Short-term coverage plans only spent 67% of premiums on health care services in 2016,[1] demonstrating that they are more profitable for insurers. As a result, brokers are likely to market these plans very aggressively, and consumers may purchase them without understanding how they differ from compliant plans.

Furthermore, these policyholders have no federal protection or guarantee that they can leave their plan, and extending their allowable duration could lock them into an STLD plan that does not meet their needs for an entire year. When customers purchase these STLD policies, they also lose the opportunity to purchase ACA-compliant plans listed on state health exchange markets and must then wait for the next enrollment period to begin.

While the proposed rule published by the Departments estimated that federal spending would increase $168 million as a result of these policy changes, *Health Affairs* predicts federal outlays to increase by up to $3.1 billion.[2] The implementation of the proposed rule in conjunction with the elimination of the individual mandate penalty will decrease the number of people with minimum essential coverage by 8.1 million. Of the 4.3 million customers expected to purchase STLD plans, 1.7 million of them will be people who are currently uninsured.[3] A deeply unfortunate consequence of the introduction of these plans will be the remaining 2.6 million STLD customers who currently have ACA-compliant plans but will switch to an STLD plan that has a mere fraction of the benefits they had previously, creating market instability and increased costs for those remaining in the ACA individual marketplace.

The expansion of STLD plans will drive insurance market segmentation across the country, as 44 states and the District of Columbia currently do not prohibit or limit short-term plans. STLD plans are intended to provide policyholders an option for bare minimum health insurance coverage during short periods of transition, such as changing jobs or unemployment. The duration of these plans should not be expanded as they simply cannot meet the needs of

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[1] *State Options to Protect Consumers and Stabilize the Market: Responding to President Trump's Executive Order on Short-Term Health Plans.* Report. Georgetown University Health Policy Institute, Center on Health Insurance Reforms, Georgetown University. December 2017. Accessed February 20, 2018. https://www.rwjf.org/content/dam/farm/reports/issue_briefs/2017/rwjf441920.

[2] Keith, Katie. "Administration Moves to Liberalize Rules On Short-Term, Non-ACA-Compliant Coverage." *Health Affairs* (blog), February 20, 2018. Accessed February 20, 2018. https://www.healthaffairs.org/do/10.1377/hblog20180220.69087/full/.

[3] Blumberg, Linda J., Matthew Buettgens, and Robin Wang. "Updated: The Potential Impact of Short-Term Limited-Duration Policies on Insurance Coverage, Premiums, and Federal Spending." Urban Institute. March 14, 2018. Accessed April 23, 2018. https://www.urban.org/research/publication/updated-potential-impact-short-term-limited-duration-policies-insurance-coverage-premiums-and-federal-spending.

health insurance customers for longer periods of time. I strongly urge the Departments to withdraw the proposed rule.

Sincerely,

Carolyn B Maloney

CAROLYN B. MALONEY
Member of Congress